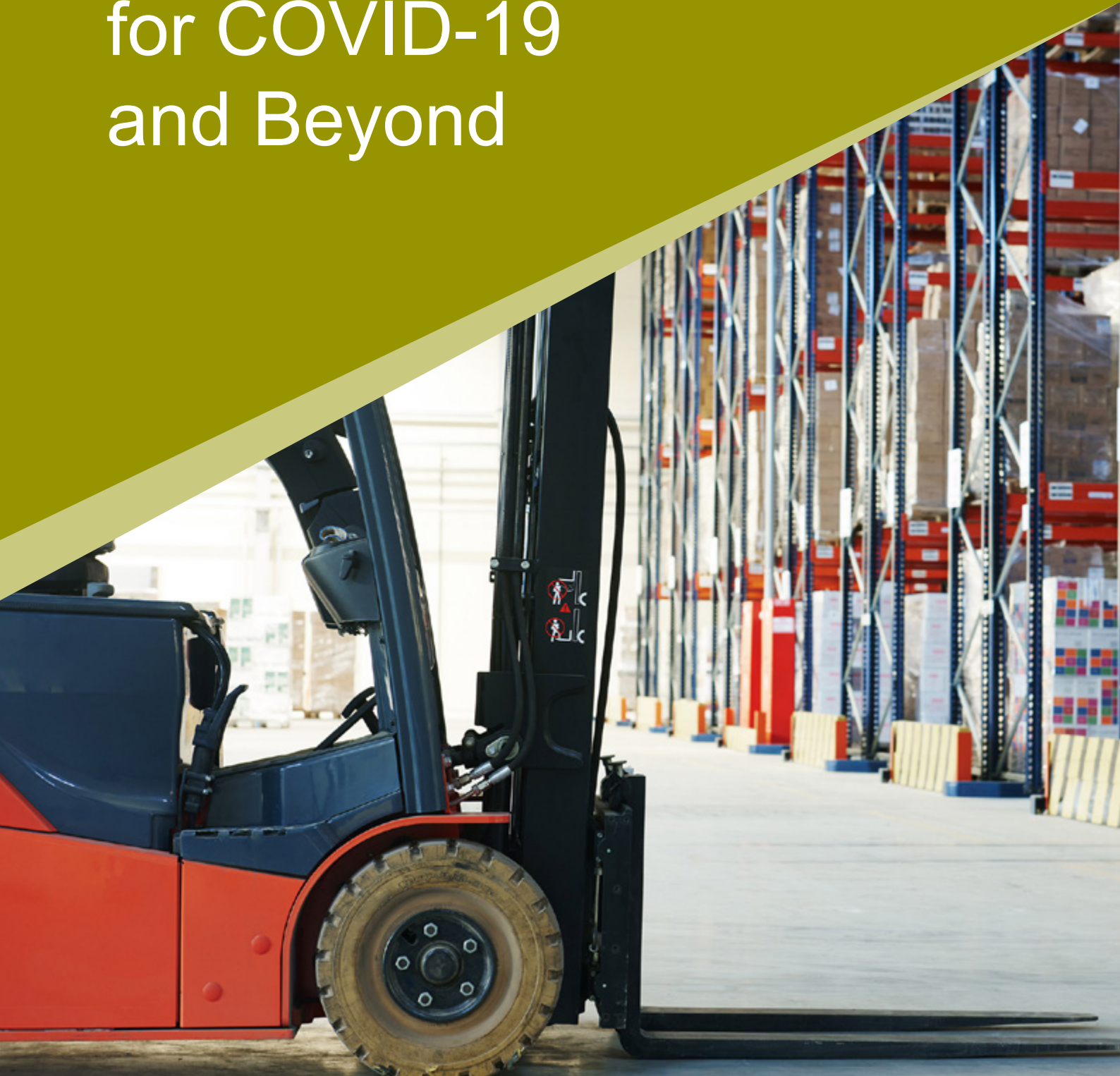


OAKLIN INSIGHTS

The New Normal: Supply Chain Resilience for COVID-19 and Beyond



Introduction

Respond to the crisis, make better-informed decisions, and maximise supply chain value

Supply chain may be a simple term, but for many organisations, it comprises an incredibly complex orchestration of multi-tiered suppliers, customers, distributors, shippers, third parties, government bodies, and even banks and insurers. Enabled by technology, just-in-time operations promote lean and profitable supply chains, but these models are especially sensitive to disruptions.

Enter COVID-19. Many elements of this intricate ecosystem have been upended by historic disequilibrium caused by constrained supplies of raw materials, production disruptions, price manipulation, and incapacitated workforces. As governments seek to stem the spread of the virus and slow economic erosion, global distribution networks are struggling to adapt to new quarantine regimes, restrictions on trade and movement, and a concerning trend toward protectionism.

These factors have created the perfect storm for supply chains. Upstream, organisations are encountering severe price fluctuations, unpredictable availability of critical components, and multi-factor strains on supplier relationships. Downstream, higher carrying costs for unsold inventory, distressed customers, and shrinking operating capital balances are diluting the efficacy of traditional responses to these stimuli. Every organisation along the value chain, from the micro producer to the largest multinational, is feeling the effects of this turbulent new dynamic. If anything is clear, we are operating in uncharted waters.

How can supply chains weather COVID-19, better identify risks, maximise existing investments, and drive differentiated value over the coming year?



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Now

Stabilise

- Ensure a safe working environment
- Establish and maintain cost discipline
- Focus on the basics for cash flow

4-6 weeks

Visualise & Discover

- Document end-to-end value chains
- Assess supplier value chains
- Catalogue and interrogate available data

3-6 months

Recalibrate & Maximise

- Update operating model for stability
- Make the most of existing investments
- Set a course for the next 3-6 months

6-12 months

Adapt & Iterate

- Simplify lines of business
- Double down on core strengths
- Design flexible capacity for the future
- Iterate for scale



Stabilise (now)

In a crisis sparked by a global pandemic, workforce health and safety must hold top billing for every organisation. Supply chains face unique operational challenges in ensuring employees can work safely while complying with social distancing guidelines, but organisations that readily commit and rapidly adapt will find opportunity as unprepared competitors give up market share.

Whether the economic downturn is short and sharp or protracted and painful, actively managing and prioritising costs will be crucial to sustaining supply chain operations during

uncertain times. Renegotiating contracts and reducing fixed costs can provide crucial breathing room.

It is not easy to restore stability in these conditions. But factors that are important to successful organisations today, including people, core value chains, suppliers, customers, and operating capital, will still be important tomorrow. Focus on the basics to restore and retain baseline cash flow over the coming weeks.



Visualise & Discover (4-6 weeks)

With supply chains facing unprecedented external pressures, it is especially crucial to document and understand end-to-end value chains. Either for the first time or refreshing previous iterations, value chain mapping is key to identifying inefficiencies, bottlenecks, and risks.

As part of this process, it is equally important to document the value chains of suppliers, and ideally those of their suppliers. Most suppliers will readily supply basic value chain and

financial data to satisfy routine due diligence, and reputable partners should be willing to approach their own suppliers for the same data.

With value chains baselined and any red flags identified, organisations can more intentionally discover and interrogate existing data holdings to optimise order, production, and stock levels, while accurately pinpointing risks and issues. Establishing end-to-end visibility prepares resilient supply chains to withstand additional shocks.



Recalibrate & Maximise (3-6 months)

Adjusting to the seismic changes of the post COVID-19 world will require bold steps. To overcome expected challenges over the next 3-6 months, organisations must act confidently amidst the uncertainty, leveraging positions of relative stability and armed with trustworthy data, to make necessary changes to operating models. Nothing is off the table, including suppliers, customer segments, distributors, shippers, third parties, and financial institutions.

For inspiration, look no further than recent supply chain investments within the past five

years. People, processes, and technology that organisations prioritised before the current crisis will probably still generate positive value during the recovery, so focus on making the most of these assets and capabilities.

With recent investments helping to supercharge updated operating models, it is time for organisations to rebuild confidence in their capabilities. Lean into the next few turns. To emerge stronger and more decisive, set a course that makes sense for the next 3-6 months.

Adapt & Iterate (6-12 months)



With supply chains safely back up and running on a sustainable track, the next 6-12 months are the time to adapt and iterate. To focus strategic intent, use re-baselined operating models to identify areas to slim down and simplify. For example, has offshore production been a bottleneck? Consider shifting to more local sourcing, re-shoring, or near-shoring.

There will be trade-offs, as ever, between minimising risk and maximising capability. Double down on core strengths where capabilities already exist and the value proposition is clear.

Organisations should take advantage of this opportunity to innovate. For supply chains facing variable demand or significant potential growth, consider capacity-on-demand and asset pooling partnerships to minimise up-front investment while maximising future potential.

Finally, build strategic discipline for the next crisis, putting in place contingency plans based on lessons learned and the steps described here. Implement controls and mechanisms to regularly review operating model, lines of business, and capacity. Build on these foundations to iterate, sharpen, and right-size for supply chain success.



Conclusion

There will be no calm seas in the COVID-19 crisis or its aftermath. But disciplined and forward-looking supply chain management has already helped leading organisations to stabilise operations and maximise market opportunities.

At Oaklin, we have spent decades helping name brands to pull ahead of competitors by sourcing, making, storing, and transporting goods more intelligently, on a global scale.

We are a trusted strategic partner, sharing in the risk and the reward of doing business during challenging times.

With capabilities spanning Programme & Project Delivery, Strategy & Innovation, Architecture, Digital Transformation, Change Management, Business Improvement, and Process Development, we are uniquely positioned to guide leading organisations through supply chain disruption and deliver resilient capability for the new normal.



Get in touch

Please contact us if you would like to discuss the issues raised in this insight, or how Oaklin could deliver lasting change in your business.

enquiries@oaklin.com

+44 (0)20 3927 3710

www.oaklin.com

